

Country Ownership, Policy Reform and Support for Poverty Reduction in the Kyrgyz Republic

A Case Study in the Political Economy of the PRSP

1. The Kyrgyz Republic is at the early stages of implementation of its National Poverty Reduction Strategy (NPRS), completed in January 2003 to further the process of economic and political reform launched soon after independence and tackle the challenges confronting the new polity after the collapse of the Soviet Union and the Russian financial crisis. The case study explores how policy reform fostered support for poverty reduction within and outside government and created the conditions for extensive stakeholders' participation in the preparation of the NPRS. It highlights that country ownership of its policy content was enhanced by linking the NPRS to a long-term development vision incorporating existing development strategies and initiatives, and embedding its implementation in policy-making structures at the central and local level.

A. The road to transition: economic reform, decentralization and emerging support for pro-poor policies

1. Market reform, economic growth and the spread of poverty

2. Hardly had the Soviet Union collapsed than the government embarked upon a rapid course of reform designed to transform the Kyrgyz economy into a market and open economy. First among the former USSR countries, the government abandoned the ruble – the currency inherited from the Soviet era - and introduced the *Som*, liberalized prices for most goods and services, eliminated export duties, substantially reduced import tariffs, and removed most capital controls. By 1998 over half of the industrial sector had been privatized, private banks were operating in parallel to state banks, reform redistributed land owned by state and collective farms (*sovkhoz* and *kolkhoz*) to private individual farmers, and the Kyrgyz Republic became the first former Soviet republic to join the WTO.

3. The radical overhaul of economic structures had enormous effects on economic and social conditions. Output collapsed by about 50 percent between 1991 and 1995, and income fell substantially due to the loss of transfers from the Soviet Union and terms of trade adjustment. Real GDP had a burst of rapid growth in 1996 and 1997, but it slowed down significantly in 1998 and 1999 in response to the 1998 Russian financial crisis. Poverty rose from 54.9 percent in 1998 to 55.3 percent in 1999.¹

4. GDP grew again at a rate of over 5 percent in 2000 and 2001, and the economic recovery led to a significant reduction in poverty. The headcount index of absolute poverty, based on consumption per capita, declined from 62.5 percent in 2000 to 56.4 percent in 2001. The Gini index of consumption inequality declined from 0.303 in 2000 to 0.290 in 2001.² However, poverty retained a strong regional dimension and rural poverty continued to be significantly higher than urban poverty. In 2001 almost three

¹ Source: National Statistics Committee; poverty is measured using expenditure per capita.

² Source: World Bank based on data from the National Statistics Committee.

quarters of the poor lived in rural areas. Furthermore, households faced high income volatility, with households in the richest quintile falling down two quintiles or more between 1998 and 2001.

2. The political economy of support for poverty reduction and the push towards decentralization

5. The transition to a market economy was accompanied by the progressive transfer of responsibilities for social infrastructure to local institutions. In the Soviet time *sovkhoses* and *kolkhozes* were responsible for public infrastructure and services, including housing, schools and health care facilities. The land reform launched in 1994 drastically reduced the number of the *sovkhoses* and *kolkhozes* from 504 to 54. Their dismantling led to the progressive degradation of rural infrastructure. The government saw the empowerment of local institutions as key to fill the void without establishing costly centralized social systems. Traditional forms of direct democracy such as councils of the elders and village gatherings (*kurultai*), whose memory and informal role had never disappeared during the years of Soviet centralization, provided the institutional basis on which local government structures could be built. In 1991, the Law on Local State Administration and Local Self-Government established elected local councils (*kenesh*) to complement centrally-appointed officials in each of the administrative divisions inherited from the Soviet era - provinces (*oblast*), districts (*rayon*) and village communities (*aiyl*). In 1996, a presidential decree created 467 local executive bodies in villages or groups of villages (*aiyl okmotu*); the decree also required that ownership of schools and hospitals be progressively transferred to village administrations, without, however, matching the new responsibilities with a significant transfer of resources.

6. Deterioration of living conditions brought the poverty issue to the top of the political agenda. Poverty reduction became closely intertwined with decentralization and contributed to empower local governments and grassroots organizations. External partners' support for community-driven development provided the resources, expertise and the push for further action. In 1998, the government, supported by UNDP, introduced the Social Mobilization Program in the framework of the *Araket* National Program for Poverty Alleviation. In 122 pilot villages community meetings were convened with the help of UN volunteers to identify the poor. Traditional means of mutual help, usual among neighbors for projects such as building a house, were revitalized and strengthened through the organization of self-help groups to support the poor. These self-help groups received training and support to apply for micro-credits provided by the Kyrgyz Agriculture Finance Corporation.³ Between July 1998 and October 2001, citizens in pilot villages gave birth to about 1,200 CBOs where previously few existed.

7. The emergence of a network of vocal CBOs with a direct stake in the development of their own communities built momentum for furthering the process of democratization of local institutions. In 2001, the Law on Local State Administration and Local Government introduced direct elections of the heads of the *aiyl okmotus*. Between March and December 2001, these officials came to office through elections regarded by international observers as open and fair. CBOs played an important role in involving

³ The KAFK was established by the government with the help of the World Bank to support the land reform launched in 1994.

citizens in the electoral process and sometimes brought forward their own candidates. Local cleavages and power structures inevitably influenced some of the electoral contests and outcomes. However, local elites were for the first time confronted with effective competition, and accountability spurred consideration for the needs of wider strata of the population.

8. The push towards more responsibilities and increased accountability at the level of government closer to the people mostly affected by the spread of poverty increased attention for the poor but did not always benefit the poorest. Micro-credits efforts through CBOs sometimes excluded the poorest individuals who lacked required assets for social collateral. CBOs and locally-elected governments sometimes mirror family and clan kinship, which still play a crucial role in Kyrgyz society. Informal social networks of the poor and non-poor have become increasingly polarized. These trends reinforced dissatisfaction among the generation over 40 years old, who were hit hardest by the end of the Soviet welfare system, and some of whom have felt excluded from participation in community life.

B. Approaches to development and poverty reduction

1. The *Araket* National Program for Poverty Alleviation

9. In 1998 the government launched the *Araket* National Program for Poverty Alleviation. *Araket* envisaged a first stage of implementation (1998-2000) to contain the spread of poverty and mitigate its most acute manifestations, and a second stage (2000-2005) to reduce poverty below 40 percent. It combined employment-intensive growth with human resource development, accompanied by a safety net for the hard-core poor. It aimed at strengthening social protection systems for vulnerable groups, improving access to education and health services, and promoting entrepreneurship for the poor.

10. *Araket* mainly focused on the social dimension of poverty with insufficient links to other dimensions such as gender and environmental protection and little concern for pro-poor growth. Capacity-building was not tackled and links with public investment plans and the budget were insufficiently developed. Consultations within and outside government were limited; responsibility for formulation and implementation lay in the Ministry of Labor and Social Protection, with only limited attempts to involve the Ministry of Finance and other ministries. The relationship between *Araket* and other related government programs such as the National Program on Employment *Emgek*, the National Program on the Elderly *Ardager*, the National Program on Women *Ayalzat* and the National Program on Health *Manas*, often championed by other ministries, was never spelled out.

11. External partners were only marginally involved. UNDP advised the government on decentralization and empowerment of the poor, and supported the Social Mobilization Program, helping to incorporate some of the tenets of the UN Sustainable Human Development Strategy incorporated in *Araket*. The World Bank financed consultants to help the Ministry of Labor and Social Protection with the drafting of the National Program. However, *Araket* never materialized as a strategic framework outlining a clear role for external assistance. It envisaged the creation of a Poverty Alleviation Fund, but the Ministry of Labor and Social Protection did not devise a clear management system for

it and did not coordinate closely enough with Goskominvest, the now defunct state agency that was in charge of external partners' coordination, on how to operationalize it. In fact, poverty alleviation received little external support and the Fund performed very poorly.

2. The CDF and the PRSP in the Kyrgyz Republic

12. Confronted with rising poverty and urged by a vocal media and NGOs to take action against deteriorating living conditions, the government approached the World Bank in 1999 to pilot the Comprehensive Development Framework (CDF). The CDF was conceived as a new development paradigm to reduce poverty and improve the effectiveness of development assistance through a process embracing major economic, social, institutional and structural issues in a long-term vision for society, developed by the country itself, with broad participation of all stakeholders in shaping the actual policy content. The implementation of the CDF principles – long-term holistic vision, country ownership, country-led partnership and focus on development results - has taken different forms in different countries. Only rarely has it materialized in the preparation of a long-term vision named CDF, as it has in the Kyrgyz Republic,⁴ where the political leadership saw the KCDF process as an opportunity to further the reforms launched after independence from the Soviet Union. In July 1999, the government launched the formulation of the Kyrgyz Comprehensive Development Framework to 2010 (KCDF), which was approved in May 2001 by the National CDF Council, a consultative body assembling representatives of government, parliament, civil society, and the private sector.

13. The introduction of the PRSP by the IMF and the World Bank in December 1999 provided an operational vehicle for the preparation of a medium-term strategy linked to the budget to meet annual targets and achieve long-term goals for poverty-reduction.⁵ Although the Kyrgyz Republic did not qualify for debt relief through the HIPC Initiative, to which the PRSP was linked, the government embarked upon this new path, seeing it as a tool to operationalize the KCDF. The NPRS for 2003 – 2005 was completed in January 2003 as the first phase in the implementation of the KCDF.

3. The goals of the KCDF and the NPRS

14. The KCDF aims at the establishment of an effective and transparent state and a fair society through a substantial reduction of poverty, and the achievement of sustainable economic growth. The KCDF constitutes an approach to long-term development and is not framed as a blueprint for medium-term policy action. The NPRS explicitly incorporates the KCDF objectives as the goals at which the medium-term plan aims. It presents a matrix with pro-poor policies and actions to meet them, and includes 100

⁴ For an overview of CDF implementation in 48 low-income countries, see The World Bank. *Getting Serious About Meeting the Millennium Development Goals. A Comprehensive Development Framework Progress Report* (Washington DC: September 2003), available at <http://siteresources.worldbank.org/CDFINTRANET/Resources/MDGReport.pdf>.

⁵ See The IMF and The World Bank. *Building Poverty Reduction Strategies in Developing Countries* (Washington DC: September 1999); *Poverty Reduction Strategy Papers-Operational Issues* (Washington DC: December 1999), available at <http://poverty.worldbank.org/prsp/docs/3475/>.

indicators to monitor progress. It also envisages a monitoring and evaluation system to collect data.

15. The NPRS sets the target of a 3 percent annual reduction of poverty, envisaging a 5 percent annual growth from 2001 onward. It stresses the need for macro-stability as a foundation of sustainable economic growth, recognizes the need for greater efficiency and targeting in social assistance, and advocates a greater role for the private sector in fostering growth, especially in the area of agro-processing and services. It puts significant importance into the development of local government as a means of addressing uneven and unbalanced development of the different *oblasts*, which has contributed to the spread of poverty throughout the country.

4. The formulation of the KCDF and the NPRS

16. The institutional structure of participation was largely similar for the KCDF and the NPRS. The NPRS consultation mechanism built on that of the KCDF, involved existing local government institutions, and created new structures such as working groups.

17. The President set up a Coordination Team for the KCDF in May 1999, which also lead the formulation of the NPRS. The Team was first headed by the Prime Minister with the Minister of Finance and the Head of Goskominvest General Directorate as deputy-chairs: the Ministry of Finance would deal with macro- and financial aspects of the strategy, whereas Goskominvest General Directorate would coordinate the consultation process with national stakeholders and external partners. When the General Directorate was merged with the Ministry of Finance in January 2001, the latter acquired the role of the official institution for the coordination of the NPRS. After the submission of the Interim Poverty Reduction Strategy to the Boards of the IMF and the World Bank, and the approval of the KCDF by the National CDF Council, however, the Ministry of Finance was not taking a proactive role in the completion of the full NPRS. New steam to the process was again given by the President, who established a CDF Secretariat as an organizational unit of the Presidential Administration in 2001. The top echelon was staffed by a former deputy Minister of Finance, appointed KCDF/NPRS National Coordinator and Head of the Economic Policy Department in the Presidential Administration, and a former economic adviser to the Prime Minister, appointed Head of the Secretariat and Deputy Head of the Economic Policy Department.

18. The government organized a series of workshops in Bishkek involving representatives of NGOs, business associations, and local governments who, together with representatives of the Ministry of Finance and Goskominvest General Directorate, pinpointed the main goals of the strategy.

19. Goskominvest General Directorate circulated questionnaires to grassroots NGOs and CBOs, asking for proposals in support of the goals. It partnered with two NGOs, Counterpart Consortium and InterBilim, which were particularly effective in fostering local consultations. Both established at the beginning of the 1990s through international grants and support from external bilateral and non-governmental partners, Counterpart Consortium and InterBilim are national NGOs that enjoy popular support, a well-established presence throughout the country and strong links with grassroots

organizations working with the poor. Counterpart Consortium runs eleven information centers to foster growth of civil society organizations, and has established a wide network of relations with grassroots NGOs and associations even in the most remote parts of the country. InterBilim works closely with CBOs supporting the poor and marginalized groups, and provides training and advice to strengthen CBOs and grassroots NGOs' capacity to partner with local governments in service delivery.

20. Drafts of the NPRS were also discussed in elected councils. In some *rayons*, the appointed heads convened special *kurultais*, assembling prominent citizens, i.e. teachers, doctors, successful businessmen. At the village level, the elected heads of the *aiyl okmotus* interacted actively with CBOs and community members, through the village councils' and informal meetings. In an incremental process which involved more and more actors, the drafts and questionnaires were passed to the members of the CBOs, which formulated proposals which were then discussed by the leaders of the CBOs in village committees which then selected and transmitted them to the heads of the *aiyl okmotus*.

21. The CDF Secretariat then formed twenty-three working groups in the capital to draft the NPRS. The government's decision to involve those who had worked on the *Araket* program in the working groups was key to ensure participation of those internal and external partners who had supported *Araket*. The working groups were organized under three coordination committees reflecting the main NPRS goals - state reform, human development and economic growth – under the supervision of the Prime Minister and the Minister of Finance, with the obligation of convening no less than five hours per week. Each working group was formed by about ten members, with an equal balance between representatives of government, civil society, academia and the private sector. The work of the different groups was finally edited and consolidated into the NPRS by the CDF Secretariat.

3. Role of key actors

Executive

22. The NPRS was a product of the executive, with contributions from different ministries and governmental bodies. The government's decision to build on the strengths of *Araket* was key to involve the Ministry of Labor and Social Protection in the KCDF/NPRS process, avoiding the existence of parallel visions and conflicting strategies. Its choice to partner with two NGOs with strong grassroots networks was particularly effective, and lent to consultations an informal and open character that fostered participation. The government embedded the NPRS within the state structure by the appointment of a high-ranking KCDF/NPRS National Coordinator and the establishment of an office within the Presidential Administration, the CDF Secretariat, which coordinated the completion of the strategy and is now in charge of its implementation.

Parliament

23. Individual parliamentarians took part in the KCDF/NPRS formulation, but Parliament is not required by the Constitution to approve a development strategy, and Parliament as an institution was little involved. The Speakers of the two Chambers were

represented in the National CDF Council that approved the KCDF. During the formulation of the KCDF, Parliament organized a symposium on public governance and published a KCDF Bulletin, which was, however, discontinued later on due to financial constraints. Two members of the Legislative House, the branch in charge of everyday legislative work, were in the working groups dealing with the state reform, the President of the Parliamentary Committee on Human Rights participated in the working group dealing with the development of democratic institutions together with a member of the House of Representatives. An expert on budgetary issues from the Legislative House participated in the working group on the reform of the budget process.

Local government

24. The NPRS built on the decentralized structures introduced at the beginning of the 1990s. The governors of the different *oblasts* formed and chaired regional councils composed of representatives from all levels of local government as well as members of civil society organizations and business associations. They prepared a list of actions, included in the NPRS, to improve social welfare and development of SMEs, drawn on the basis of a detailed analysis of the social and economic situation for each of the seven *oblasts* and the capital city. The NPRS also became an opportunity for newly-elected officials to press for more resources to be transferred to the *aiyl okmotus*, which, despite the increased responsibilities, saw their budgetary allocations continued to be absorbed by *oblast* and *rayon* administrations. The NPRS envisions a substantial transfer of resources to village administrations, allocated at first to *aiyl okmotus*, who would then send a part of them to the *rayon* and the *oblast* administrations.

Internal partners

25. NGOs based in villages and towns commented on drafts of the NPRS and advanced views and proposals through Counterpart Consortium and Interbilim. Grassroots NGOs openly consulted with their members and mainly focused their contribution on the need to improve social infrastructure. NGOs prepared a Matrix of Partnership and Participation, included in the NPRS, identifying mechanisms for enhancing the role of stakeholders in implementation. CBOs also played a strong role and had a significant input on the NPRS. They consulted with village administrations and participated in workshops organized by oblast administrations. They advanced proposals on the need to strengthen community-driven development and the provision of micro-credits, which were largely included in the NPRS.

26. Micro and small farmers also took part in the process. They were mainly consulted as community members through CBOs and local governments. Larger farmers were sometimes asked directly by local governments to make proposals for improving the business environment. Some submitted proposals on the need to improve access to credit and simplification of state regulations on permits and licenses for small businesses, and saw them incorporated into the NPRS. In Bishkek, the commitment and the involvement of the private sector has been less strong, in part because individual businessmen rather than umbrella organizations were conveying the views of the private sector. Representatives of banks, energy firms, transport companies, tourist agencies, food-processing firms took part in the working groups established in March 2002.

27. A limited number of researchers, professors and national experts were involved in drafting the strategy. The dean of the Law Faculty of the Kyrgyz-Russian Slavic University was in the working group dealing with the reform of the State, the directors of two local research institutes in the group dealing with macroeconomic issues, and an economic professor in the one tackling the issue of investment.

External partners

28. External partners supported and facilitated consultations by strengthening local capacity and fostering partnership between government and internal partners. UNDP organized workshops and seminars for members of the working groups to acquaint them with gender-related issues, and recruited a limited number of consultants to provide assistance to them. Consulted by the government on an early draft of the NPRS, the World Bank staff in Bishkek proposed to the Ministry of the Environment to strengthen it by choosing six local independent experts on environmental issues to lead six working groups the members of which would be taken by various ministries, the private sector and civil society organizations. The World Bank hired an international consultant who provided training on costing and budgeting for the six team leaders. The output was six reports with cost-related proposals for action in the field of environmental protection submitted to the Ministry of the Environment. Some of the proposals were included in the NPRS by the Ministry, which also financed them.

29. External partners provided technical advice often in partnership with national institutions. ADB conducted sectoral studies on health reform, private sector development and fiscal decentralization, following terms of reference agreed after extensive consultation with the government. The World Bank conducted a poverty assessment together with the Kyrgyz National Statistical Committee, training local researchers on poverty analysis, and commissioning eleven independent researchers to write background papers on various aspects of poverty in the country. Preliminary findings of the analysis were discussed at the KCDF workshop on poverty reduction and social protection in February 2000. Initial poverty diagnostics were presented at a workshop organized by the CDF Secretariat in May 2002 and provided background information for the working groups.

30. The KCDF/NPRS process received financial support from several external partners without any of them undertaking an exclusive or prominent role. The World Bank and the Government of Japan provided a grant to support the KCDF/NPRS process, which financed Counterpart Consortium to organize roundtables. DFID financed an international consultant to support the CDF Secretariat in editing the NPRS, and provided support to develop statistics towards the evaluation of KCDF/NPRS outcomes. SDC co-financed expenses related to a 'road show' of a government delegation in various foreign capitals in September 2002 to present a draft of the NPRS to external partners prior to a Consultative Group (CG) meeting in October 2002.

C. From formulation to implementation: deepening country ownership of the KCDF/NPRS

31. The KCDF and the NPRS were conceived as ongoing long-term processes guiding decision makers within and outside government. Accordingly, policies and

reforms initiated by the NPRS can become sustainable only by the establishment of participatory, results-oriented and pro-poor practices in every-day political and administrative decision-making, with external assistance supporting country systems and providing technical advice to strengthen government structures and national stakeholders.

1. Structures of continuous participation

32. A participation culture is emerging in the Kyrgyz polity which could enhance the responsiveness of government structures to the pro-poor policies identified in the NPRS. The working groups set up for NPRS drafting are participating in the preparation of the first NPRS Progress Report. Although they meet less often than at the beginning of the process, the CDF Secretariat sends a monthly newsletter via email on progress in implementation to members of the groups. Heads of *aiyl okmotus* prepare mandatory four-year social and economic development plans, approved by village councils, and revised after two years by an assembly of all village members. There is no legal requirements for these plans to follow the targets set up in the NPRS. The CDF Secretariat is developing a database assembling all the local development plans to better coordinate their priorities and plans of action.

33. Direct involvement and assistance for the poor is materializing through a program of 'social passportization' launched by the Ministry of Labor and Social Protection in 2000 in the framework of the KCDF process and included in the NPRS, partially building on previous experiences conducted under *Araket*, and implemented by the department of social protection of each *oblast*. The program aims at a reclassification of the poor through the establishment of a special commission in the 467 *aiyl okmotus* comprised of a representative of the Ministry of Agriculture in charge of the land reform, a member of the council of the elders, representatives of youth and women's associations, and some people from each village particularly familiar with the local situation. The commission visits each household to identify together with the household's members capabilities and needs. For the poor, the government has offered support in the form of micro-credits to restart economic activities hit hard during the transition or to establish businesses *ex novo*. To the extreme poor, who are often in possession of some land but unable to cultivate it, the well-off in the village offer the possibility to cultivate their land for a small wage that can be later used to buy tools and seeds. Local governments have also established partnerships with CBOs to follow the development of the poor. At the present stage of implementation, these partnerships have provided assistance to the homeless by building houses with the support and help of the whole community, without any external financial aid.

2. Allocation of resources and increased transparency in public expenditure

34. Elected local governments and village communities can be active agents in the actual realization of actions and proposals included in the KCDF/NPRS only if their resources are significantly increased and financial allocations are directly transferred to them. A more rational, transparent and open budget process can also ensure that resources are allocated according to the priorities identified in the KCDF/NPRS.

35. In September 2003, an important step has been taken with the approval of the Law on Financial Economic Foundation of Local Self-Government. The Law establishes

some financial autonomy for *aiyl okmotus*, revises the arrangements for the collection, administration and distribution of local taxes and fees, including land and property tax, and limits the interference of *oblast* and *rayon* administrations in the fiscal affairs of the *aiyl okmotus*. The 2003 budget also allocates *Som* 50 million (US\$1 million) for matching grants to local governments that generate and allocate their own funds for local investment.

36. The Ministry of Finance is developing a Medium-Term Expenditure Framework (MTEF) for 2004-2006, linked to the NPRS and aimed at combining in budget formulation the macroeconomic framework, sectoral strategies prepared by line ministries and expenditure plans to implement these strategies. In August 2003, the Committee on Budget and Policy of the House of National Representatives also organized a public hearing in the provincial capital of the Jalal-Abad *oblast* on the issue of financing the NPRS at the regional level. It was aimed at linking the budget process more directly to the NPRS and discussing budgetary and financial issues with local government and civil society.

3. The role of external partners

37. The Kyrgyz Republic has become a frontier country associated with the Rome Declaration on Harmonization of February 2003. To enhance country ownership of the KCDF/NPRS, and to carry out commitments made in Rome, external partners are supporting greater government leadership of development assistance coordination, aligning their strategies and taking steps to harmonize procedures with country systems.

38. The NPRS process has strengthened awareness of the need to better coordinate the efforts of external partners in supporting the development of the country. Significantly, the CG meeting to discuss the draft NPRS was held for the first time in Kyrgyzstan and co-chaired by the government and the World Bank. The capacity of the government in this effort needs further strengthening and consolidation. Coordination is conducted by three different institutions: the Ministry of Finance, the CDF Secretariat, and the Secretariat of the Special Representative of the President on Foreign Investment, which prepares an annual investment matrix including external resources for investment in the private sector.

39. External partners are aligning their projects and programs with the national strategy, thus enhancing its role as the guiding framework for external assistance and policy reform. The 2002-06 Strategy Paper for Central Asia, adopted by the EU Commission in October 2002, provides support for government reform, agro-processing and tourism in line with the KCDF/NPRS. UNDP launched in February 2003 a new Program Framework consistent with the KCDF/NPRS goals. The World Bank's Country Assistance Strategy for 2003-06 reflects the priorities of the NPRS, and was prepared in collaboration with the government and in close consultation with civil society and private sector representatives through a series of roundtables co-chaired by the UN Resident Coordinator. ADB's Country Strategy and Program for 2004-06 is based on KCDF/NPRS priorities and was discussed with government officials, parliamentarians, representatives of civil society and the private sector as well as other external partners. DFID's Regional Assistance Plan for Central Asia, South Caucasus and Moldova,

currently under public discussion, identifies pro-poor growth and support for NPRS implementation as key priorities for 2004-07.

40. The government is piloting mechanisms to foster harmonization of policies and procedures for development assistance, and has established a steering committee and a working group chaired by the Deputy Prime Minister responsible for Economic Development, Trade and Investment and the Director of Investment in the Ministry of Finance, both including representatives from development assistance agencies. Task forces are being set up to support harmonization in procurement, financial management and audit. External partners have started developing a database on projects and programs financed by different partners, to avoid duplication.